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Capital master plan

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the thirteenth annual progress report of the Secretary-General on the implementation of the capital master plan (A/70/343). The Committee also had before it the report of the Board of Auditors on the capital master plan for the year ended 31 December 2014 (A/70/5 (Vol. V)) and the related report of the Secretary-General on the implementation of the recommendations of the Board (A/70/338 and Corr.1, sect. III).

2. During its consideration of the above-mentioned reports, the Advisory Committee met with the Under-Secretary-General for Management and other representatives of the Secretary-General, in addition to the Chair and members of the Audit Operations Committee of the Board of Auditors. The Secretariat provided additional information and clarification, concluding with written responses received on 6 October 2015.

3. The thirteenth annual progress report is submitted pursuant to General Assembly resolution 57/292. The Secretary-General presents therein an update on the capital master plan project since his twelfth annual progress report (A/69/360), including his responses to the requests of the Assembly contained in resolution 69/274 A. In the present report, the Advisory Committee reflects on the main recommendations raised in the report of the Board of Auditors (sect. II) and discusses matters related to the project schedule and scope (sect. III), project requirements, financial status and associated costs (sect. IV) and the interim measures related to functions housed in the Dag Hammarskjöld Library and South Annex Buildings (sect. V).

4. The Advisory Committee recalls that the General Assembly, in section VIII of its resolution 69/274 A, inter alia: (a) reaffirmed its commitment to the renovation of the Dag Hammarskjöld Library and South Annex Buildings and requested the

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Secretary-General to submit to the Assembly for its consideration and approval future proposals relating to the renovation of those two buildings as separate projects outside the scope of the capital master plan through established procedures; and (b) recognized the need to fund the final shortfall of the capital master plan project in the amount of $154,852,400, decided to appropriate that amount to the General Fund and authorized the Secretary-General to credit the same amount to the capital master plan fund.

II. Report of the Board of Auditors on the capital master plan for the year ended 31 December 2014

5. The report of the Board of Auditors on the capital master plan for the year ended 31 December 2014 (A/70/5 (Vol. V)) is submitted pursuant to General Assembly resolution 57/292, in which the Assembly requested an annual report from the Board. In the report, the Board assesses the progress made, as at 31 March 2015, in the areas of project costs, project schedule and scope, handover, and maximizing the project's benefits. Key findings by the Board are presented in the summary of the report. The five recommendations of the Board are contained in paragraph 17 (a)-(e) in the summary of its report and the responses of the Secretary-General are provided in section III of his report on the implementation of the recommendations of the Board (A/70/338 and Corr.1).

Overall progress and assessment

6. The key stages in the development of the strategy and budget for the delivery of the capital master plan are summarized in figure I in the report of the Board of Auditors (A/70/5 (Vol. V)). The Board notes that since its previous report on the project in 2014, developments on the project included the following (ibid., sect. A, para. 4): (a) the General Assembly Building was substantially completed in September 2014 (residual work on the north basement area was substantially complete in December 2014); (b) the North Screening Building was substantially completed, with operational handover in September 2014; and (c) the Secretariat Building was certified as complete and final handover occurred in May 2015. **The Advisory Committee concurs with the Board of Auditors that the substantial completion of the General Assembly Building in September 2014 against a compressed timetable to allow for the holding of the general debate of the sixty-ninth session of the Assembly in the General Assembly Building was a significant achievement given the disruption caused by earlier project delays and the impact of Storm Sandy** (ibid., summary, para. 6).

7. The Board of Auditors further notes that the capital master plan project, including all residual capital works, is now expected to be completed in December 2016, approximately three years later than originally planned under accelerated strategy IV (see also para. 24 below) and that the project will end without renovating the Library and South Annex Buildings as initially envisaged (see sect. V below).

8. The Board of Auditors reports that the residual works of the project have an estimated cost of $35 million, including: (a) the demolition of the temporary North Lawn Building and site landscaping; and (b) the works related to the service drive on 42nd and 48th Streets (A/70/5 (Vol. V), summary, paras. 7, 8 and 15). In

addition, the Board indicates that the Administration has introduced new works since its previous report, namely, the interim arrangements for relocating the functions of the South Annex Building and for limited works to the Library Building, at an estimated cost of $14 million, to be met from within the existing capital master plan budget (see para. 11 (b) below). The combined requirements until the completion of the project are therefore estimated at $49 million (see para. 45 below).

Projected final costs

9. In section VIII of its resolution 69/274 A, the General Assembly noted that the final cost of the capital master plan project, as presented by the Secretary-General, was $2,304.8 million[1] (see para. 49 below). That amount reflected the decision of the Assembly to remove the Dag Hammarskjöld Library and South Annex Buildings from the scope of the project. The Board of Auditors notes that the $65 million budgeted for the two buildings was used to meet cost increases for other buildings that remained within the scope of the project to avoid an additional assessment on Member States. The Board points out that while the anticipated cost overrun therefore appears to have been reduced by $65 million, it is important to note that this is the cost of delivering a significantly reduced project scope (the renovation of three buildings instead of five) at a higher cost than originally planned (A/70/5 (Vol. V), summary, para. 4).

10. The Board of Auditors observes that although the overall total anticipated final construction cost may not have changed, there have been considerable changes in the cost of sub-elements of the project since the Board last reported (ibid., sect. B, para. 14). The estimated cost of residual capital works to be delivered by the Office of Central Support Services has increased by $8.5 million since 2014, which includes the following (ibid., table 4):

(a) The Administration initially reported an estimated cost for demolition of the temporary North Lawn Building of $1.9 million; however, the estimated net cost[2] has now increased to $15.4 million (see paras. 34-38 below);

(b) The estimated costs for landscaping and works related to the service drive at 42nd and 48th Streets have been reduced by $3.0 million and $2.0 million, respectively.

11. The Board of Auditors also notes other factors that may affect the cost estimates of the project, consisting of (A/70/5 (Vol. V), sect. B, paras. 15-20):

(a) A large number of change orders to contracts (approximately 4 300 as at March 2015);[3]

[1] $2,309 million reported by the Board of Auditors as the gross costs of the capital master plan project, which includes $4.2 million for the secondary data centre funded from the support account for peacekeeping operations (A/70/5 (Vol. V), summary, para. 3).

[2] The reported cost is the estimated net cost of demolition and excludes assets the contractor is allowed to retain.

[3] According to the Board of Auditors, in response to uncertainties related to the condition of the buildings, the Administration adopted a strategy that allowed construction work to begin using incomplete designs rather than await complete, detailed design documents. The approach added risk, uncertainty and cost to the project.

(b) The Administration has changed its position of 2014 that any plan to relocate the functions of the Library and South Annex Buildings could not be funded by the capital master plan and would require additional funding (the related amount of $14 million was not included in the anticipated final cost reported in the twelfth annual progress report). Rather, the Administration has confirmed it can now be funded by utilizing project funds that were earmarked to cover potential shortfalls in amounts recovered from insurers for damage caused by Storm Sandy, which are no longer required;[4]

(c) There is no contingency available to mitigate any future cost pressures of the remaining works, as the contingency provision was depleted in June 2014;

(d) As at June 2015, 11 of the 24 contracts remained open, with works still ongoing as part of the final handover. While risks may decrease with activity nearing completion, there remains the risk of potential additional costs during the close-out of remaining contracts from change orders and possible claims from contractors.

12. The Board of Auditors has repeatedly questioned the reliability of the Administration's approach to estimating the costs of the project (ibid., paras. 13 and 20). According to the Board, the Administration has only partially implemented the Board's previous recommendations in its approach to forecasting. In the view of the Board, wide variations in cost estimates over time undermine confidence in their reliability. Given the inaccuracy of previous cost estimates, the Board is of the view that the Secretariat should assure itself that the $49 million to deliver the remaining works is a reasonable forecast. In addition, the Board observes that the anticipated final construction cost had not been changed since December 2013 until March 2015 when the General Assembly decided to remove the Library and South Annex Buildings from the project (see para. 4 above).

Capital master plan benefits realization

13. Section VI in the thirteenth annual progress report (A/70/343) contains information related to the benefits of the capital master plan as deemed achieved by the Secretary-General. He indicates therein that the project delivered the results and benefits expected by the Member States in accordance with relevant resolutions of the General Assembly. After the completion of the capital master plan, the Headquarters complex is energy efficient, free of hazardous materials and compliant with host city building, fire and safety codes, and it provides full accessibility to all persons (ibid., paras. 26 and 31).

14. The Board of Auditors confirms that some project benefits are immediate and evident: the renovated buildings and basements now provide a more modernized working environment operated by more sophisticated systems and equipment while providing improved security for much of the campus. Those improvements were delivered while retaining important architectural and aesthetic heritage and maintaining business-as-usual operations (A/70/5 (Vol. V), sect. E, para. 45).

[4] According to the Board of Auditors, the Secretary-General had previously reported to Member States a total insurance coverage of $150 million, of which a $148.9 million claim would be submitted (see A/67/748). Information provided to the Board indicates that while the level of coverage and the claim are lower than that reported, the eventual settlement has covered the Organization's losses.

15. However, as the Board of Auditors previously reported, the expected outcomes of the project were qualitative and ill-defined and lacked an objective measure to judge success and to calculate a return on investment (ibid.). The Advisory Committee notes that one issue related to some of the project's quantifiable benefits is how those benefits are measured and what evidence is provided to prove that those quantifiable benefits have indeed been achieved. The Secretary-General indicates in his thirteenth annual progress report that the benefits that have been delivered by the project include a minimum 50 per cent reduction in energy consumption, a 45 per cent reduction in greenhouse gas emissions related to energy consumption and a 40 per cent reduction in fresh water consumption (A/70/343, para. 31). Upon enquiry, the Advisory Committee was informed that the above-mentioned reductions in energy and fresh water consumption are projections based on engineering models.

16. In this connection, the Advisory Committee recalls that various explanations have been offered by the Secretariat on different occasions for the lack of progress made towards demonstrating the sustainability goals for energy under the capital master plan, specifically the following:

(a) In its consideration of the proposed programme budget for 2016-2017, the Committee was informed that the requirements for electricity at Headquarters were not expected to decrease and that a provision of $25,929,900[5] was included in the budgetary proposals for 2016-2017 for utility costs (including $20,885,800 for electricity). It was informed that, while an overall reduction in energy consumption had been recorded, the expenditures for electricity were expected to remain at current levels owing to the switch made from steam to electricity-based cooling (the cost of electricity was proportionally higher than that of steam). In addition, the Office of Central Support Services expected the ongoing construction-related projects to be implemented in 2016 to also have an upward impact on energy consumption (A/70/7, para. VIII.96);

(b) During its consideration of the thirteenth annual progress report, the Advisory Committee was informed upon enquiry that it would only be possible to meaningfully compare consumption before and after the capital master plan after the removal of the temporary North Lawn Building, because the energy and water currently consumed by the temporary North Lawn Building was not separable from that consumed by the remainder of the buildings at Headquarters (see also para. 16 (c) below). The information requested by the Advisory Committee would only be available upon the completion of an annual billing cycle following the removal of the North Lawn Building to allow a full reflection of seasonal variations;[6]

(c) The Board of Auditors was informed in its previous audit that the Secretariat intended to start reporting energy efficiencies by the end of 2015, as it was installing equipment and systems to collect data on utility consumption and

[5] The Secretary-General indicates in his report contained in document A/55/117 (para. 7), inter alia, that United Nations energy costs, already among the highest in New York City, would continue to rise from an estimated $10 million in 2001 to a projected $28 million in 2027 (without undertaking the capital master plan project).

[6] The Advisory Committee notes from the information it received upon enquiry that the Economic and Social Commission for Asia and the Pacific (ESCAP) maintains detailed records of energy consumption on a floor-by-floor basis and that any energy savings attributable to the proposed project at ESCAP would be validated through real comparative data.

intended to assess performance against consumption prior to the project by each individual building (A/69/5 (Vol. V), sect. D, para. 54). In its latest audit, the Board was informed that as at March 2015, the building management systems that would collect data on utility consumption and energy efficiency were not fully operational and that it was not therefore possible at the present stage to measure the extent to which the expected benefits had been delivered (A/70/5 (Vol. V), sect. E, para. 46).

17. **The Advisory Committee notes that the stated benefits achieved from the capital master plan, namely, a minimum 50 per cent reduction in energy consumption, a 45 per cent reduction in greenhouse gas emissions related to energy consumption and a 40 per cent reduction in fresh water consumption, are projections based solely on engineering models and have not been substantiated. Furthermore, the Committee is of the view that the explanations provided by the Secretary-General and described in paragraph 16 (a)-(c) above are not consistent. Moreover, with the substantial completion and functioning of the three buildings that remain in the scope of the capital master plan (the Secretariat Building in September 2012, the Conference Building in February 2013 and the General Assembly Building in September 2014), the Committee is of the view that data on utility consumption should have already been made available to benchmark the benefits achieved against utility consumption patterns prior to the capital master plan.**

18. Upon enquiry, the Advisory Committee was informed by the Board of Auditors that the Board was unable to examine energy performance at the time of audit and that a review of the benefits described in the thirteenth annual progress report of the Secretary-General would be a major element of its next audit. The Committee notes the lack of data to validate some of the quantifiable benefits stated in the thirteenth annual progress report. **The Advisory Committee points out that all of the quantifiable benefits reportedly derived from the capital master plan should be substantiated. The Committee therefore recommends that the General Assembly request the Secretary-General to provide data in this regard to the Board of Auditors during the next annual audit of the capital master plan.**

19. Furthermore, the Board of Auditors indicates that the Administration needs to demonstrate the benefits of the $2.3 billion investment made by Member States and that the achievements of the project should include the financial and non-financial benefits of the capital master plan, including an objective assessment of achievement against the stated outcomes (ibid., para. 45). **The Advisory Committee reiterates its recommendation that the General Assembly request the Secretary-General to continue to report on the actual project benefits, as compared with the planned benefits, in the next annual progress report and in the final report on the implementation of the capital master plan (A/69/529, para. 15; see also para. 50 below).**

20. The Board of Auditors is also of the view that a wider benefit to be exploited is the experience and lessons learned from the capital master plan (A/70/5 (Vol. V), sect. E, para. 48). The Board indicates that as the Administration embarks on a series of capital projects, it is particularly important in a context of fiscal constraint to minimize cost overruns and optimize the value of contributions from Member States. According to the Board, unlike most organizations, the United Nations does not have an established approach for managing and assuring delivery of major projects, making embedding the lessons problematic (see para. 23 below). The

Board has published a paper on lessons from the capital master plan drawing on their wider knowledge of best practice of major projects.

Paper of the Board of Auditors on lessons from the capital master plan

21. The Board of Auditors issued a paper on lessons from the capital master plan in December 2014,[7] drawing on its work on the project for the past 11 years and wider knowledge of best practice. The Board has observed therein that delivering more with the same resources is a capability that the United Nations will need to develop going forward, with cost overruns on major projects becoming less acceptable and the waste of scarce resources even less so. The Board expresses the hope that the paper is of value to management, to those charged with governance and to the representatives of Member States with responsibility for oversight of the funding provided to such projects.

22. The paper issued by the Board of Auditors covers eight themes: whole lifecycle asset management; getting the best possible start; governance, controls and assurance; roles within a programme lifecycle; commercial and procurement strategies; risk and contingency management; cost, time and outcome forecasting; and portfolio management and organizational capability. The paper highlights some of the more important and systemic lessons that apply both at a project-specific level and at the corporate level. The Board expresses the view that the United Nations would benefit strongly by learning the lessons in a few key areas. In the view of the Board, it is vital that major projects make a successful start as experience shows it is difficult and costly to recover. Best practice is to hold any major project to a very high level of scrutiny and independent expert assurance before any decision is taken to start or to initiate each major phase during the project lifecycle. This requires effective governance and decision-making from the outset, with accountabilities and authority aligned and clearly assigned risk and contingency transparently and explicitly at the heart of the delivery strategy, and a collaborative and integrated project team and supply chain. **The Advisory Committee welcomes the paper issued by the Board of Auditors on lessons from the capital master plan.**

23. In this connection, the Advisory Committee notes that the Board has acknowledged that there are initial signs that the strategic heritage plan is embedding lessons learned from the capital master plan in the approach to delivering the early stages of the project, such as including associated costs within the budget from the outset (A/70/5 (Vol. V), sect. E, para. 48). Furthermore, the Committee recalls that it was informed during its consideration of the proposed programme budget for 2016-2017 that the Secretariat was in the process of developing guidelines for the management of construction projects, expected to be completed in December 2015, after which the Secretariat would institute a standardized approach to contingency planning and management (A/70/7, para. XI.20). **The Advisory Committee welcomes the efforts being carried out by the Secretary-General to develop guidelines for the management of construction projects of the Organization and looks forward to the completion of the guidelines in December 2015. The Committee reiterates the importance**

[7] United Nations Board of Auditors, "Lessons from the United Nations capital master plan", December 2014. Available from http://www.un.org/en/auditors/board/pdfs/Lessons%20from%20the%20Capital%20Master%20Plan.pdf.

of identifying, documenting and applying lessons learned in future large-scale capital projects (A/69/529, para. 16).

III. Project schedule and scope

24. The Secretary-General describes the capital master plan as a recently completed project in his thirteenth progress report (A/70/343, para. 1), with several minor post-renovation construction activities that have extended beyond the life of the Office of the Capital Master Plan, which closed in July 2015. However, in the same report, he acknowledges that the temporary North Lawn Building will be demolished in accordance with the mandated scope of the project, and states that the remaining activities will be managed by the Office of Central Support Services with projected completion in late 2016 (ibid., paras. 6 and 15). The Advisory Committee sought clarifications on the status of the project from the Board of Auditors and was informed that the capital master plan is still active as a number of activities within the approved scope of the project have not yet been completed. Following the closure of the Office of the Capital Master Plan, the Office of Central Support Services has assumed responsibility for completing the project, including some capital works, specifically: (a) demolition of the temporary North Lawn Building, which will begin in October 2015; (b) landscaping, which will occur in the second quarter of 2016 following the demolition of the North Lawn Building; and (c) works on the service drive at 42nd and 48th Streets, which is expected to take 12 months and be completed by December 2016. Furthermore, the Committee was informed that while the main buildings (Secretariat, General Assembly and Conference Buildings) were substantially completed by September 2014, which essentially meant the buildings were available for use, punch-list/remedial works are still being undertaken (see also para. 51 below). Figure IV in the report of the Board shows the original versus the revised schedule to complete the project (A/70/5 (Vol. V), figure IV). **The Advisory Committee concurs with the Board of Auditors that the capital master plan is an ongoing project.**

25. The Advisory Committee also sought clarifications on the status of the project from the Secretariat, which confirmed the remaining scope of the activities of the capital master plan. In addition, upon enquiry, the Committee was informed by the Secretariat that all other aspects of the project's scope, as approved by the General Assembly, have been completed or will have been completed by late 2016, apart from the renovation of the Library and South Annex Buildings as approved by the Assembly (see sect. V below).

Management of the remaining activities by the Office of Central Support Services

26. The Secretary-General indicates that as part of the succession planning, technical and substantive expertise gained by staff of the capital master plan was retained by transferring them to supplement staff in the Office of Central Support Services for the completion of the remaining scope (A/70/343, para. 24). However, the Advisory Committee notes that the Secretary-General does not provide information in his thirteenth annual progress report on the number of staff retained from the Office of the Capital Master Plan by the Office of Central Support Services.

27. The Advisory Committee recalls that it was informed that only one staff member from the project team, two at most, and a portion of capital master plan funds would be retained at the time of the closure of the Office of the Capital Master Plan for the remaining activities (A/69/529, para. 26). However, the Committee notes from the report of the Board of Auditors that a total of eight staff members, three contractors and 20 consultants have been retained from the Office of the Capital Master Plan at an estimated cost of $2.76 million (A/70/5 (Vol. V), sect. C, para. 30). Upon enquiry, the Committee was informed by the Secretariat that while 20 consultants from the capital master plan project management firm are engaged, some are on only a part-time basis (equivalent to 14 consultants on a full-time basis) in the following areas: one in cost estimating, five in project management, four in cost management and four in document management. Upon enquiry, the Committee was also informed by the Board that the related information was presented to the Board by the Administration late in its audit report clearance process and the work actually performed by the consultants (at a total cost of $1.76 million for contracts until the end of 2015) had not yet been subject to audit. The Board notes that the engagement of the above individuals augments the specialist resources available to the Office of Central Support Services to conclude the capital master plan project.

28. Upon further enquiry, the Advisory Committee was informed that, currently, the contract for the 20 consultants is due to expire by the end of December 2015. It is expected, however, that personnel resources from the project management firm may be necessary to support the Office of Central Support Services in delivering the remaining activities through December 2016 (see para. 51 below for detailed activities). **The Advisory Committee notes the substantial difference in the estimated versus actual number of personnel retained by the Office of Central Support Services, in addition to the prolonged duration of their engagement until December 2016 as currently anticipated. The Committee trusts that the Secretary-General will provide to the General Assembly detailed information on the number, functions, cost and funding of all personnel from the Office of the Capital Master Plan, including staff, contractors and consultants, who would be required to support the Office of Central Support Services until December 2016, at the time of its consideration of the thirteenth annual progress report.**

Demolition of the temporary North Lawn Building

Further delayed timeline for the demolition

29. The Advisory Committee recalls that at the time of its consideration of the twelfth annual progress report of the Secretary-General, it pointed out that the proposed delay in completion of the demolition of the temporary North Lawn Building to late 2015 and the site landscaping thereafter represented a further delay, compared with the schedule reported in the Secretary-General's update to his eleventh annual progress report (see A/69/529, paras. 27 and 28). In this regard, the Committee notes from the thirteenth annual progress report that the demolition project is once again delayed, with an expected start date in October 2015 and completion in early 2016, followed by landscaping to be completed by late 2016, depending on successful contractual negotiations with the selected vendor (A/70/343, para. 15).

30. The Advisory Committee sought justifications for the decision by the Secretariat to continue to delay the demolition of the temporary North Lawn Building to October 2015 after the general debate of the General Assembly, but did not receive satisfactory responses. Upon enquiry, the Committee was informed that the Secretariat considers that the timeline of the planned demolition of the building as presented in the thirteenth annual progress report is in line with the decision of the General Assembly in resolution 69/274 A (sect. VIII, para. 10). **The Advisory Committee does not consider that the further delayed timeline for the demolition of the temporary North Lawn Building as presented in the thirteenth annual progress report is in line with the decision of the General Assembly in resolution 69/274 A. The Committee notes with concern that the demolition of the temporary building, which is within the scope of the capital master plan project, has been repeatedly delayed. The Committee recalls that the Assembly reaffirmed its support for the timely deconstruction and removal of the temporary North Lawn Building in its resolution 69/274 A. The Committee is of the view that the Secretary-General should implement the decision of the Assembly without further delay.**

31. The Secretary-General indicates that as at the date of preparation of his thirteenth annual progress report, planning for the demolition and removal of the building was under way, and that a request for proposals has been issued to vendors. Upon enquiry, the Committee was informed that a single contract had been awarded for the demolition of the temporary North Lawn Building and the landscaping of the North Lawn.[8] The selected contractor would mobilize preparatory work for the demolition from late October to December 2015, including installing the necessary protection for staff safety and for United Nations artwork. The departments and offices currently occupying space in the building would be relocated to other spaces during this period.[9] The process of physical demolition of the building would commence in late December 2015. While the Committee notes from the report of the Board of Auditors that a 10-month timeline was estimated earlier (seven months for demolition and three months for site landscaping) (A/70/5 (Vol. V), table 8), it also notes that such information is not available in the thirteenth annual progress report.

32. With respect to plans for the landscaping of the North Lawn, the Advisory Committee was informed, upon enquiry, that after the completion of demolition of the temporary North Lawn Building, the site landscaping would restore the North Lawn to its state before the start of the capital master plan. This would entail relocation of soil, replanting of grass and trees, reinstallation of exterior gifts and re-establishment of pathways and lighting.

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[8] The Secretariat indicated in 2014 that there would be separate solicitation processes for the demolition and landscaping work in compliance with the established procurement process and procedures (A/69/529, para. 27).

[9] The Advisory Committee was informed that offices, classrooms, and storage are currently housed in the North Lawn Building. The following offices and departments occupy space in the Building: Executive Office of the Secretary-General, Department for General Assembly and Conference Management, Department of Management (Umoja Headquarters deployment group), Department of Political Affairs, Department of Safety and Security and Office for Disarmament Affairs. In addition, during the general debate of the seventieth session of the General Assembly, space in the building was used for a media centre and for meetings and overflow of meetings.

33. **The Advisory Committee requests that information on the precise timeline and the scope of work for the demolition of the temporary North Lawn Building and subsequent site landscaping, as specified in the contract awarded, be provided to the General Assembly at the time of its consideration of the thirteenth annual progress report.**

Demolition cost increase

34. The Advisory Committee enquired as to whether the delay in demolition of the temporary North Lawn Building could have cost implications and was informed that it was not expected that the proposed commencement of demolition in late 2015 would result in any cost implications aside from possible minor market fluctuations related to the host city construction industry.

35. Concerning the increase in the demolition cost from $1.9 million to $15.4 million reported by the Board of Auditors (see para. 10 (a) above), the Advisory Committee notes that this information is not provided in the thirteenth annual progress report. Rather, the Secretary-General indicates therein that as at 30 June 2015, there was no anticipated increase in the overall project budget and that no potential increases in project costs or changes in the volume or scope of the work were anticipated at that time (A/70/343, paras. 71 and 79). Upon request, the Committee was informed that while the initial demolition cost of $1.9 million was based on high-level assumptions at an early stage and information available at the time, the final projection was subsequently established based on development of the design, taking into account additional information. **The Advisory Committee points out that the thirteenth annual progress report of the Secretary-General should have included information on significant cost changes related to the activities within the scope of the capital master plan, as well as information on how such changes are accommodated within the approved budget.**

36. Upon enquiry, the Advisory Committee was informed that according to the Secretary-General, since the revised estimated cost increase was within the overall construction costs, there was no impact on the budget of the project. The Committee sought clarification as to what components of the project had been decreased in cost in order to accommodate the cost increase for the demolition, but was informed, instead, that the cost of the demolition was met in full within the existing budget and that the difference had been accommodated within the overall remaining balances resulting from various reduced costs of the ongoing construction activities. **The Advisory Committee considers that the information provided by the Secretariat is insufficient and requests that the related information be provided to the General Assembly at the time of its consideration of the thirteenth annual progress report.**

37. The Advisory Committee also enquired as to whether some of the cost increase could be attributed to potential out-of-hours working by the contractor in order to minimize noise disruption to activities in the other buildings. The Committee was informed that: (a) the demolition of the temporary North Lawn Building will take place during regular construction hours, both as a cost-saving measure and to honour host city regulations regarding after-hours construction noise; (b) the Secretariat does not anticipate that the demolition work will affect meetings of the General Assembly, owing to the distance from the North Lawn Building to the conference facilities in the General Assembly and Conference Buildings and

because the structures of the North Lawn Building and the other buildings on campus are not interconnected; and (c) the Secretariat will take action to manage any noise disturbances that do occur and recalls that construction work of the capital master plan was occasionally interrupted when it affected ongoing meetings.

38. The Advisory Committee also sought information from the Board of Auditors and was informed that it remained unclear to the Board why the revision of the initial cost estimate was left until 2015, when the main factors giving rise to the increased estimate could have been taken into consideration earlier. The Board has repeatedly raised concerns about the Administration's approach to cost forecasting (see paras. 9-12 above). With respect to the reasonableness of the estimated cost increase, the Committee was informed upon enquiry that the Board employed a civil engineer within its team to advise on the reasonableness of the estimated cost of the demolition work. Although the civil engineer did not identify any major concerns with the overall estimated cost, it was difficult to reach firm conclusions as the detailed contract specifications were not available.

Security-related work at 42nd and 48th Streets

39. The security-related work at 42nd and 48th Streets includes reconfiguration of the north and south entrances to the service drive to accommodate a loading dock at 48th Street and revised traffic patterns at 42nd Street (A/70/343, para. 17 (c)). The Advisory Committee notes that the security-related work at 42nd and 48th Streets is another component of the capital master plan project that has been delayed. The Committee recalls: (a) that in March 2014, the Secretary-General indicated that the completion date of the work would be November 2015 (postponed from 2014) and that the Office of the Capital Master Plan expected, at that time, to receive the necessary permits from the host city in a few months (A/68/797, para. 5 and table 1); and (b) that in September 2014, the Secretary-General projected that the security-related work at 42nd and 48th Streets would start in early 2015 and be completed in late 2016 (A/69/360, table 2).

40. According to the Secretary-General, following the current estimate reflected in the thirteenth annual progress report, depending on successful contractual negotiations with the preferred vendor, construction activity for the remaining work relating to security at 42nd and 48th Streets is scheduled to commence in late 2015, with completion by late 2016 (A/70/343, paras. 13 and 17 (c)). Furthermore, the work, which will require up to 12 months of construction time, can only commence after the issuance of the necessary permits by the host city. The Advisory Committee notes from the report of the Board of Auditors that the Secretariat has revised its earlier assumption of the duration of the work from 18 to 12 months, which is not explained in the thirteenth annual progress report. The Committee recalls its recommendation that the General Assembly request the Secretary-General to provide clear information and justifications on the completion of the work related to 42nd and 48th Streets in the thirteenth annual progress report on the implementation of the capital master plan (A/69/529, para. 36). **The Advisory Committee requests that the related information be provided to the General Assembly at the time of its consideration of the thirteenth annual progress report.**

41. With respect to the process of issuance of work permits, upon enquiry, the Advisory Committee was informed that the supplementary information provided to the Fifth Committee on 6 March 2015 indicated that on 22 December 2014, the host

city's Department of Transportation had issued a "negative declaration" (i.e., no problems were highlighted), which completed its review of the environmental assessment statement for the perimeter security work.[10] In accordance with host city procedures, the vendor undertaking the construction activity is responsible for submitting applications for permits (see also para. 39 (a) above). However, the Committee was informed that the procurement process for the selection of a vendor for the security-related work at 42nd and 48th Streets was under way and that upon selection of a vendor by the Secretariat, the normal construction permit process would proceed. **The Advisory Committee notes that while the review of the security-related work at 42nd and 48th Streets by the relevant authorities of the host country was completed in December 2014, the procurement process for the selection of a vendor by the Secretariat was still under way as at 29 September 2015, against the background of the continued delay of the related work. The Committee requests that information on the latest developments in this regard be provided to the General Assembly at the time of its consideration of the thirteenth annual progress report. The Committee recommends that the Assembly request the Secretary-General to take all measures to ensure the timely conclusion of the procurement process and the completion of the work before the end of 2016.**

IV. Project requirements, financial status and associated costs

Project funding and expenditures

42. As shown in table 2 in the thirteenth annual progress report, the Secretary-General has revised the estimated costs to complete the capital master plan project to $2,150.4 million, compared with the estimates of $2,215 million in his previous report (A/69/360, table 3). He indicates that the reduction of $64.6 million reflects the net result of: (a) a decrease of $65 million due to the exclusion of the Dag Hammarskjöld Library and South Annex Buildings from the scope of the project, as approved by the General Assembly in its resolution 69/274 A; and (b) an increase of $0.4 million in voluntary contributions, received since the previous progress report (A/70/343, table 2, footnote). The total approved funding of $2,150.4 million comprises the following:

(a) Appropriations for the original project scope of $1,876.7 million (for the details and evolution, see A/69/529, para. 40 (a) and footnotes 6-8);

(b) Donations of $14.3 million, including $0.4 million received since the previous annual progress report;

(c) Interest income and the capital master plan working capital reserve amounting to $159.4 million;

(d) Funding of $100 million for the enhanced security upgrades by the host country.

[10] The Advisory Committee was also informed that in 2013, during the planning of the security-related work, the Secretariat was informed by the host city of the necessity for the required changes in traffic flow at 42nd and 48th Streets to undergo two separate reviews (the first review on the environmental impact and the second review involving a public hearing process). Upon completion of those reviews in 2014, the proposed changes were forwarded to the host city's Department of Transportation.

43. Anticipating the final cost at $2,150.4 million (see also para. 49 below), compared with the approved original budget of $1,876.7 million plus voluntary contributions totalling $114.3 million, the Secretary-General reports that the project resulted in a cost overrun of $159.4 million, or 8 per cent (A/70/343, para. 74).[11] According to the Secretary-General, there is no anticipated increase in the overall project budget as at 30 June 2015 (ibid., paras. 71 and 80).

44. The Secretary-General indicates that funding in the amount of $2,150.4 million has been applied in full to the renovation activities to meet contractual obligations as they fall due for payment. Furthermore, as at 30 June 2015, cumulative expenditure incurred amounted to $2,137.9 million, indicating that 99.4 per cent of the estimated cost to completion has been expended and committed (ibid., paras. 73 and 78). Upon enquiry, the Advisory Committee was informed by the Board of Auditors that expenditure at the time of its audit was as follows:

(a) Actual commitments: $2,144.849 million (99 per cent of the budget and commitment authority);

(b) Total expenditure/obligations: $2,142.97 million (99 per cent of the budget and commitment authority);

(c) Total disbursements: $2,011.72 million (94 per cent of the budget and commitment authority).

45. Table 3 in the thirteenth annual progress report contains information on the latest status of the capital master plan expenditure and remaining requirements until completion. It is shown therein that the requirements for the project from July 2015 to project completion are estimated at $55.4 million, or $12.5 million net after the application of $42.9 million of savings resulting from the cancellation of obligations. According to the Secretary-General, the estimated requirements relate to the post-renovation activities and interim arrangements for the Library and South Annex Buildings, as well as the closure and final reconciliation of all remaining contracts (ibid., paras. 79 and 80). **Since the Secretary-General does not provide a breakdown of the estimate of $55.4 million for the remaining activities, it is not clear to the Advisory Committee how this amount relates to the requirement of $49 million for the remaining activities as reported by the Board of Auditors (see para. 8 above). Furthermore, the Committee notes that the requirement for the interim arrangements related to the functions in the Library and South Annex Buildings was not included in the cost estimates in the twelfth annual progress report, but is now included in the estimates for the remaining activities in the thirteenth annual progress report (see para. 11 (b) above). The Committee therefore requests that information with respect to the latest expenditure/obligations and disbursement of the project, the breakdown of the requirements for the remaining activities until project completion and the anticipated potential savings from the closure of contracts be provided to the General Assembly at the time of its consideration of the thirteenth annual progress report. The Committee recommends that the Assembly request the Secretary-General to provide an update to the above-mentioned information in the fourteenth annual progress report.**

[11] The total cost overrun calculated by the Board of Auditors is now $314 million (16 per cent), including a construction cost overrun of $159 million, equivalent to 8 per cent of the approved budget (A/70/5 (Vol. V), sect. B, para. 10).

46. As at 30 June 2015, an amount of $0.4 million in assessments remained unpaid to the capital master plan for 2011 and prior periods. Voluntary contributions have been paid in full (A/70/343, para. 76). With respect to the amount of interest to be accrued on the balance of capital master plan funds, it is expected that the amount will be $114.4 million by 31 December 2015. In accordance with section IV of General Assembly resolution 68/247 A, the balance of the interest income up to the end of 2015 and the working capital reserve of $45 million are being applied to the remaining cash balance for the corresponding remaining requirements of the capital master plan (ibid., para. 77).

Associated costs and secondary data centre

47. The Advisory Committee notes that compared with the estimate of $139,812,000 reported in the twelfth progress report (A/69/360, table 7), the overall expenditure related to associated costs amounts to $139,740,300 as at 30 June 2015, representing a reduction of $71,700 (A/70/343, table 4). The Secretary-General indicates that no further expenditure related to associated costs is expected beyond June 2015. As indicated in table 4 of the report (ibid.), the reduction of $71,700 resulted from lower expenditure ($71,300) under general temporary assistance in the Office of Central Support Services and higher savings ($400) from cancellation of obligations under the Department of Safety and Security. The Secretary-General indicates that these amounts will be included in the residual fund balance to be returned to Member States (see para. 52 below).

48. The final cost of the secondary data centre (net of savings from cancellation of obligations) amounts to $19.3 million (of which $4.2 million was funded from the support account for peacekeeping operations, in accordance with General Assembly resolutions 63/269 and 64/228). The total requirements for the associated costs ($139.7 million) and the secondary data centre ($19.3 million) therefore amount to $159 million (A/70/343, para. 84).

Consolidated project requirements

49. Compared with the $2,304.8 million reported by the Secretary-General in the twelfth annual progress report (A/69/360, table 6) and noted by the General Assembly in its resolution 69/274 A (see also para. 43 above), the consolidated requirements of the project are currently estimated at $2,309.4 million (A/70/343, table 5), consisting of the following:

(a) Project plus enhanced security updates ($2,150.4 million), an increase of $0.4 million in voluntary contributions (see para. 42 (b) above);

(b) Associated costs ($139.7 million), a decrease of $0.1 million (rounded figure) (see para. 47 above);

(c) Secondary data centre ($19.3 million), including $4.2 million funded from the support account (see para. 9 and footnote 1 above).

Future project reporting and potential savings

50. The Secretary-General indicates that his fourteenth annual progress report on the capital master plan will be submitted to the General Assembly at the main part of its seventy-first session. It is anticipated that the financial close-out of the project will be conducted after the remaining post-renovation activities have been

completed and final payments to the vendors have been made, following which the Secretary-General would submit a final report to the General Assembly at the main part of its seventy-second session (A/70/343, para. 87).

51. The Advisory Committee notes from the report of the Board of Auditors that until all contracts are finalized and works completed, the final costs and any savings will not be known[12] (A/70/5 (Vol. V), sect. B, para. 17). Upon enquiry, the Committee was informed of the timeline for the final closing of the contracts of the capital master plan that remain open, as follows:

(a) With regard to the renovation activities, the remainder of the punch-list and commissioning work undertaken by the construction management firm is expected to be completed by the end of November 2015. The completion of such residual work will be followed by the receipt, review and finalization of the required documentation. This, in turn, will allow the commencement of the close-out activities, including the release of the last portion of the retainage held with respect to the trade contractors, submission and payment of the last invoices, and reconciliation and closure of the accounts by the end of March 2017;

(b) The contracts that are currently in process for the post-renovation activities are expected to be closed by the end of March 2017, after the conclusion of the underlying works by December 2016;

(c) It is expected that the contracts with the architects of record and consultants will be closed by December 2016.

52. The Board of Auditors indicates that it could find no evidence that the Administration has considered returning future surpluses to Member States (ibid., para. 18; see the recommendation of the Board in paragraph 17 (d) of the summary of its report). The Secretary-General indicates that should there be a residual balance from the project funds and associated costs, the amounts would be reported in the final financial statements and a proposal as to how the amounts could be returned to Member States would be included in the final report of the Secretary-General on the capital master plan (A/70/343, para. 87; see also para. 47 above on the reduction of $71,700 under associated costs).

V. Dag Hammarskjöld Library and South Annex Buildings

53. The Advisory Committee recalls that the General Assembly has reaffirmed its commitment to the renovation of the Dag Hammarskjöld Library and South Annex Buildings and requested the Secretary-General to submit to the Assembly for its consideration and approval future proposals relating to the renovation of these two buildings as separate projects outside the scope of the capital master plan through established procedures (resolution 69/274 A, para. 14).

[12] In March 2013, the Board of Auditors identified an estimated $20 million of unreported contingency funds from unused obligations (savings). In June 2015, the Administration estimated $39.5 million cumulative savings from its obligations with the main contractor. Those savings are included in the $151.2 million savings on the prior-period obligations reported in the twelfth annual progress report of the Secretary-General (A/69/360, table 4), and are recycled to cover project costs arising from acceleration and change orders (A/70/5 (Vol. V), sect. B, para. 17).

54. In the same resolution, the General Assembly recalled section IV, paragraph 12, of its resolution 68/247 A, and requested the Secretary-General to engage in high-level conversations with the host city with a view to addressing the pending security concerns in relation to the Dag Hammarskjöld Library and the South Annex Buildings and to report on this matter in the context of the thirteenth annual progress report. It is indicated in the thirteenth annual progress report that in response to the request made by the Assembly, the Secretariat renewed its efforts to seek an understanding on measures that should be taken by the host city with a view to mitigating security concerns along 42nd Street. The Secretary-General indicates that no further progress had been made on this matter at the time of submission of his report (A/70/343, para. 59).

Interim measures related to the functions of the two buildings

55. In its resolution 69/274 A, the General Assembly recalled paragraphs 64 and 72 of the report of the Advisory Committee (A/69/529), and requested the Secretary-General to submit, in the thirteenth annual progress report, measures being taken as well as those envisaged for the relocation of functions currently housed in the Dag Hammarskjöld Library and South Annex Buildings.

56. In this connection, the Secretary-General indicates that in paragraph 77 of his twelfth annual progress report (A/69/360), he informed the General Assembly of his intention to seek interim measures for the relocation of the functions housed in both buildings that would preserve the minimal functionality to safeguard and protect the Organization's staff and ensure continuity of functions. Accordingly, in early 2015, the Secretariat commenced the planning and construction process to implement the relocation of some of the functions housed in those buildings in the most cost-efficient way and to limit the occupancy of the Library Building, as recommended by the Department of Safety and Security (A/70/343, para. 62).

57. The Secretary-General indicates that limited occupancy of the Library Building is interpreted to consist of limited presence of staff in locations on the north side of the Building, with the south side reserved for non-staff use, such as storage of equipment and library materials. Limited occupancy precludes the use of the auditorium and large gatherings in the Library's fourth floor penthouse (ibid., para. 63). Upon request, the Advisory Committee was informed that the Department of Safety and Security confirms that there has been no change in its assessment with respect to the occupancy of the Library Building on the limited occupancy concept.

58. Information related to the relocation of some of the functions housed in the South Annex Building is provided in paragraphs 64 and 65 of the thirteenth annual progress report, including: (a) the classrooms and some offices were relocated to the third basement area (under the temporary North Lawn Building); (b) the interpreters' lounge and touchdown space were relocated to the 15th floor of the Secretariat Building; and (c) following the closure of the main cafeteria in July 2015, alternative food service arrangements were put in place, consisting of: (i) re-establishment of food service at the southern end of the fourth floor of the Conference Building (in the former location of the Staff Café); (ii) establishment of a grab-and-go food service on the first basement level of the Secretariat Building (in the area formerly occupied by the Postal Service); and (iii) establishment of an online order and pickup and coffee and snack service at the northern end of the Secretariat lobby.

59. According to the Secretary-General, the cost of the interim arrangements for the Library and South Annex Buildings is estimated at $14 million, which has been met in full within the approved budget of the capital master plan (see para. 11 (b) above). Of the $14 million estimated cost, an amount of $5 million was for alternative food service facilities, $4 million was for reconfiguration of the Library Building and $5 million was for the creation of alternative classrooms and lounge space on the third basement level (A/70/343, para. 67).

VI. Recommendation

60. The actions requested of the General Assembly in connection with the thirteenth annual progress report on the capital master plan (A/70/343) are set out in paragraph 88 (a) and (b) of that report. **The Advisory Committee recommends that the General Assembly take note of the thirteenth annual progress report of the Secretary-General, subject to the comments and recommendations of the Committee contained in the present report.**